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UNCLAS SECTION 01 OF 02 RANGOON 001469

SIPDIS

STATE FOR EB, EAP AND INL  
TREASURY FOR OASIA  
DEA FOR OF, OFF  
NSC FOR RAND BEERS  
MANILA FOR USED/ADB  
USCINCPAC FOR FPA

E.O. 12958: N/A

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SUBJECT: U.S. SANCTIONS: DIRECTED AT BURMA OR THE REGION?

1. This is an action message. See paragraph 9.

2. Summary: The United States is now poised to oppose an ADB regional grant for alternative development in the Greater Mekong Subregion (GMS) on the grounds that Burma-specific legislation applies to all such regional grants. That position will have wide ramifications, potentially crippling the ADB's ability to support GMS loans and grants. It will also undercut regional support for U.S. sanctions policy on Burma and damage U.S. efforts to promote donor support for alternative development projects in Southeast Asia. That was not the intent of the Burma legislation, but it will be the effect, if the USG does not review and reverse the proposed decision on the ADB grant. End Summary.

3. The ADB's Executive Board will shortly take up a proposed \$2 million technical assistance grant for cooperation on alternative development for drug control in the Greater Mekong Subregion. As its name implies, the grant will promote sub-regional cooperation in major opium producing areas. It has three basic components. The grant will help implement the joint China/ASEAN ACCORD plan of action on drug control, assist in monitoring opium production, and promote alternative development activities, including food security, health and education programs, crop diversification, and improved land use planning. In Burma specifically, the technical assistance would pick up activities from the Wa Alternative Development Project that were cut when that project was downsized in 2000.

4. This grant would directly support U.S. alternative development initiatives in Southeast Asia. Over the past five years, the United States has been the strongest supporter of alternative development activities in the Golden Triangle. In Burma alone, the United States has contributed over three-quarters of the donor funding for the Wa Alternative Development project, a total of over \$8 million since 1998. We have also lobbied strongly for broader donor support for these programs, with some success. Since 2000, Japan has scaled up its support for alternative development programs in Burma from an original grant of \$500,000 to \$700,000 in 2001 and \$1.673 million in 2002, almost \$1 million more than we will contribute this year. In 2002, Germany became the third major donor to join up, putting up \$1.25 for alternative development in the Wa territories. Meanwhile, Thailand and China have begun planning for their own alternative development programs with Burma.

5. These projects, moreover, have been successful. The Wa Alternative Development Project in particular has contributed to a sharp reduction in opium cultivation in the project area. It has also helped eliminate leprosy from the project area, established new health and education facilities, and helped close a food deficit which has always been a prime motivating factor for opium production by village farmers. In addition, it has opened a window on the Wa territories for foreign observers, exposed the Wa to concerted international pressure regarding drug trafficking, and directly supported Burma's nationwide drug control program, which has reduced opium production by more than 75 percent over the past six years; i.e., from an estimated 2,560 metric tons in 1996 to only 630 metric tons last year.

6. Despite this success, the United States is now proposing to frustrate the ADB's efforts to get involved in alternative development in Southeast Asia by voting against the proposed regional grant. Essentially, that decision was based on some Burma-specific legislation that directs the Secretary of Treasury to instruct the USEDs at all IFIs to vote against "any loan or other utilization of funds .... to or for Burma." In this case, however, the proposed grant is not "to or for Burma," alone. In fact, the Government of Burma will never see a cent of the money. Rather, the grant will be distributed through UNDCP for use in countries throughout the sub-region, including China, Laos, Thailand, Vietnam, and Cambodia. As a consequence, a "no" vote in this case will have widespread ramifications. Not only will it undercut our efforts to promote alternative development in the Golden

Triangle, it will also effectively extend Burma-specific sanctions to the entire Greater Mekong sub-region, potentially outlawing any lending by the World Bank, the ADB, or any other IFI to any type of regional project from which Burma might benefit in any way.

17. Such a vote would also inevitably undercut regional support for our Burma policy. Our sanctions policy, after all, is intended to punish Burma, not its neighbors. If we persist now in extending those sanctions to all regional collectives in which Burma participates, we will risk alienating the very front line states whose support we need if sanctions are to be effective. The point is critical and worth emphasizing. There is no better way to undercut regional support for our Burma policy than to apply our sanctions collectively to all regional states. That, however, will be the effect of U.S. votes against regional projects.

18. In short, the proposed U.S. decision to vote no on the ADB grant can result in crippling the ability of IFIs to support GMS loans and grants; it will undercut regional support for U.S. sanctions policy on Burma; and it will damage U.S. efforts to promote donor support for alternative development projects in Southeast Asia. None of this was the intent of the original Burma legislation; however, it will be the effect and the USG should take time now to step back and review its proposed decision on this ADB grant.

19. Action requested: A "yes" vote on the ADB's grant for alternative development in the Greater Mekong Subregion.  
Martinez